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<http://cadtm.org/Adam-Smith-is-closer-to-Karl-Marx>

Series: A Glance in the Rear View Mirror to Understand
the Present (Part 1)

Adam Smith is closer to Karl Marx than those showering praise on Smith today

- English -

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In the following citations, we discover that what Adam Smith wrote in the 1770s is not so distant from what Karl Marx and Friedrich Engels would write 70 years later in the famous Communist Manifesto.

According to Adam Smith: *"The labour of a manufacturer adds, generally, to the value of the materials which he works upon, that of his own maintenance, and of his master's profit."* [\[1.\]](#) In Marxist terms, this means that through their labour workers reproduce part of the constant capital [\[2.\]](#) (the quantity of raw materials, energy, percentage of the value of the technical machinery, and so on, that are accounted for in the manufacturing of a given commodity) to which must be added the variable capital corresponding to their wages and the profit made by capitalists, which Karl Marx called surplus value.

Karl Marx and Adam Smith - each in his own time - both considered that it is the workers not the bosses/capitalists who produce value.

Workers create value, then, without in fact costing [their capitalist bosses] anything: *"Though the manufacturer (i.e. the worker) has his wages advanced to him by his master, he, in reality, costs him (the capitalist) no expense, the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labour is bestowed"* [\[3.\]](#)

In the following passage, Adam Smith analyses the conflicts of interest and the class struggle opposing capitalists and workers

What are the common wages of labour, depends everywhere upon the contract usually made between those two parties (workers and capitalists), whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour.

It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in number, can combine much more easily; and the law, besides, authorizes, or at least does not prohibit their combinations, while it prohibits those of the workmen. We have no acts of parliament against combining to lower the price of work; but many against combining to raise it. In all such disputes the masters can hold out much longer. A landlord, a farmer, a master manufacturer, a merchant, though they did not employ a single workman, could generally live a year or two upon the stocks which they have already acquired. Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment. In the long run the workman may be as necessary to his master as his master is to him; but the necessity is not so immediate.

We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate. To violate this combination is everywhere a most unpopular action, and a sort of reproach to a master among his neighbours and equals. We seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things, which nobody ever hears of. Masters, too, sometimes enter into particular combinations to sink the wages of labour even below this rate. These are always conducted with the utmost silence and secrecy, till the moment of execution, and when the workmen yield, as they sometimes do, without resistance, though severely felt by them, they are never heard of by other people. Such combinations, however, are frequently resisted by a contrary defensive combination of the workmen; who sometimes too, without any provocation of this kind, combine of their own accord to raise the price of their labour. Their usual pretences are,

sometimes the high price of provisions; sometimes the great profit which their masters make by their work. But whether their combinations be offensive or defensive, they are always abundantly heard of. In order to bring the point to a speedy decision, they have always recourse to the loudest clamour, and sometimes to the most shocking violence and outrage. They are desperate, and act with the folly and extravagance of desperate men, who must either starve, or frighten their masters into an immediate compliance with their demands. The masters upon these occasions are just as clamorous upon the other side, and never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much severity against the combinations of servants, labourers, and journeymen." [4.] .

According to Adam Smith, this state of things motivates the capitalist as follows:

"The consideration of his own private profit is the sole motive which determines the owner of any capital to employ it either in agriculture, in manufactures, or in some particular branch of the wholesale or retail trade. The different quantities of productive labour which it may put into motion, and the different values which it may add to the annual produce of the land and labour of the society, according as it is employed in one or other of those different ways, never enter into his thoughts." [5.] Adam Smith. 1776. An Inquiry into the Nature and Causes of the Wealth of Nations. Book II, Chapter 5. <http://www.adamsmith.org/smith/won-...>]

Adam Smith argues that there are three basic social classes: 1. landowners, who live by renting their land; 2. wage earners; and 3. capitalists, who live off the profits they make. Smith describes the class consciousness and class interests of these three social groups in his own terms.

"The whole annual produce of the land and labour of every country, or what comes to the same thing, the whole price of that annual produce, naturally divides itself, it has already been observed, into three parts; the rent of land, the wages of labour, and the profits of stock; and constitutes a revenue to three different orders of people; to those who live by rent, to those who live by wages, and to those who live by profit. These are the three great, original, and constituent orders of every civilised society, from whose revenue that of every other order is ultimately derived ." (...)

Speaking of the class that has its own private means, that is the landowners, Adam Smith asserts that: *"They are the only one of the three orders whose revenue costs them neither labour nor care, but comes to them, as it were, of its own accord, and independent of any plan or project of their own. That indolence, which is the natural effect of the ease and security of their situation, renders them too often, not only ignorant, but incapable of that application of mind which is necessary in order to foresee and understand the consequences of any public regulation.*

The interest of the second order, that of those who live by wages, is as strictly connected with the interest of the society as that of the first. (...). But though the interest of the labourer is strictly connected with that of the society, he is incapable either of comprehending that interest or of understanding its connection with his own. His condition leaves him no time to receive the necessary information, and his education and habits are commonly such as to render him unfit to judge even though he was fully informed. In the public deliberations, therefore, his voice is little heard and less regarded, except upon some particular occasions, when his clamour is animated, set on and supported by his employers, not for his, but their own particular purposes.

His employers constitute the third order, that of those who live by profit. It is the stock that is employed for the sake of profit which puts into motion the greater part of the useful labour of every society. The plans and projects of the employers of stock regulate and direct all the most important operations of labour, and profit is the end proposed by all those plans and projects. (...). Merchants and master manufacturers are, in this order, the two classes of people who commonly employ the largest capitals, and who by their wealth draw to themselves the greatest share of the public consideration. As during their whole lives they are engaged in plans and projects, they have frequently more acuteness of understanding than the greater part of country gentlemen. (...).

The interest of the dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public. To widen the market and to narrow the competition, is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public; but to narrow the competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens. The proposal of any new law or regulation of commerce which comes from this order ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it." [6.]

Smith's works contain other similar judgements, which would give rashes to those politicians and ideologists who claim to be his disciples: *"Our merchants frequently complain of the high wages of British labour as the cause of their manufactures being undersold in foreign markets, but they are silent about the high profits of stock. They complain of the extravagant gain of other people, but they say nothing of their own. The high profits of British stock, however, may contribute towards raising the price of British manufactures in many cases as much, and in some perhaps more, than the high wages of British labour"* [7.] Adam Smith. 1776. An Inquiry into the Nature and Causes of the Wealth of Nations. Book IV, Chapter 7, Part 3. <http://www.adamsmith.org/smith/won-...>] ." This statement would be a heresy for the capitalists, who hold wage costs - always too high in their opinion - responsible for inflation and the lack of competitiveness.

These concepts, which are as essential (if not more) in the thought of Adam Smith as the famous invisible hand (only mentioned three times in his work), are systematically forgotten by today's dominant economic thinkers. [8.]

One of the fundamental differences between Adam Smith and Karl Marx, is that the former, although he was conscious of how workers are exploited by capitalists, supported the capitalists whereas the latter argued for the emancipation of workers.

The General Rules of the International Workingmen's Association 1864 (IWA [9.]) written by Karl Marx express the basic substance of his position:

"Considering [10.] ,

That the emancipation of the working classes must be conquered by the working classes themselves, that the struggle for the emancipation of the working classes means not a struggle for class privileges and monopolies, but for equal rights and duties, and the abolition of all class rule;

That the economical subjection of the man of labor to the monopolizer of the means of labor that is, the source of life lies at the bottom of servitude in all its forms, of all social misery, mental degradation, and political dependence;

That the economical emancipation of the working classes is therefore the great end to which every political movement ought to be subordinate as a means;

That all efforts aiming at the great end hitherto failed from the want of solidarity between the manifold divisions of labor in each country, and from the absence of a fraternal bond of union between the working classes of different countries;

That the emancipation of labor is neither a local nor a national, but a social problem, embracing all countries in which modern society exists, and depending for its solution on the concurrence, practical and theoretical, of the most advanced countries;

That the present revival of the working classes in the most industrious countries of Europe, while it raises a new hope, gives solemn warning against a relapse into the old errors, and calls for the immediate combination of the still disconnected movements;

For these reasons

The International Working Men's Association has been founded.

It declares:

That all societies and individuals adhering to it will acknowledge truth, justice, and morality as the basis of their conduct toward each other and toward all men, without regard to color, creed, or nationality;

That it acknowledges no rights without duties, no duties without rights;

Post-scriptum :

Translated by Charles La Via in collaboration with Christine Pagnouille

Part 2 of this series "A Glance in the Rear View Mirror to Understand the Present" will soon be published on www.cadtm.org as "Neoliberal Ideology's Thick Skin"

[1.] Adam Smith. 1776. An Inquiry into the Nature and Causes of the Wealth of Nations. Book II, Chapter 3.

<http://www.adamsmith.org/smith/won-...>

[2.] See <http://en.wikipedia.org/wiki/Variab...>

[3.] Adam Smith. 1776. An Inquiry into the Nature and Causes of the Wealth of Nations. Book II, Chapter 3.

<http://www.adamsmith.org/smith/won-...> .

[4.] Adam Smith. 1776. An Inquiry into the Nature and Causes of the Wealth of Nations. Book I, Chapter 8. <http://www.adamsmith.org/smith/won-...>

[6.] Adam Smith. 1776. An Inquiry into the Nature and Causes of the Wealth of Nations. Book I, Chapter 11, Conclusion of the chapter.

<http://www.adamsmith.org/smith/won-...>

[8.] This is true of Alan Greenspan, for example, who in his autobiography *The Age of Turbulence*, published in 2007, devotes seven pages of praise to Adam Smith, while 'cleansing' his thought of any reference to wage labour as the source of profit, to the theory of labour value, or to class struggle (Alan Greenspan, 2007, p. 338-344).

[9.] The International Workingmen's Association (IWA), also known as the First International, was founded in 1864, by Karl Marx and Friedrich Engels among others. It united "anti-authoritarian" collectivists, such as Mikhail Bakunin's international movement), Marxist collectivists, and mutualists (followers of Pierre-Joseph Proudhon). Political activists, unionists, and cooperativists worked together in this association. The First International was dissolved after the failure of the Paris Commune in 1871.

[10.] Written: between October 21 and 27, 1864; First published: in *The Bee-Hive Newspaper*, November 12, 1864, and in the pamphlet *Address and Provisional Rules of the Working Men's International Association ...*, London, November 1864.